



DEVELOPMENT TAX CREDIT PROGRAM

MISSOURI DEPARTMENT OF ECONOMIC DEVELOPMENT

PURPOSE

To facilitate a business project in order to create new jobs.

The Development Tax Credit Program (DTC) offers state tax credits to taxpayers making contributions to a not-for-profit corporation (NFP) for projects approved by the Department of Economic Development (DED). The credits are for 50% of the contribution of cash or the value of certain types of property.

AUTHORIZATION

Sections 32.100 to 32.125, RSMo

Regulations: 4 CSR 85-2.015, 2.030 to 2.040

ELIGIBLE AREAS

Statewide, but the project must be located or qualify as a "blighted" or "conservation" area as defined in Tax Increment Financing (§99.805, RSMo), an enterprise zone (Ch. 135.200 et seq., RSMo), or an urban redevelopment area (Ch. 353, RSMo).

ELIGIBLE APPLICANTS

Generally, manufacturing, processing or assembly projects that propose wages above the average for the area and provide health benefits are prioritized.

Other types of projects may be considered for approval if tax credits remain near the end of the state fiscal year.

There must be a positive economic benefit to the state. This calculation includes other state incentives provided for the project, and new public costs necessary to support the project.

PROGRAM BENEFITS/ELIGIBLE USES

This tax credit can be applied to:

- Ch. 143 – Income tax, excluding withholding tax
- Ch. 147 – Corporate franchise tax
- Ch. 148 –
 - Bank Tax
 - Insurance Premium Tax
 - Other Financial Institution Tax
- Ch. 153 – Express Companies Tax

The DTC program may be used for the acquisition of land or buildings through the purchase from cash contributions or donation of real estate. The acquisition of new or used machinery and equipment is also eligible if it is to be placed in an existing building.

This credit's special attributes:

- Carry forward 5 years
- Sellable or transferable

FUNDING LIMITS

The amount of tax credits available for a single project:

- Is limited to the lesser of \$500,000, or \$10,000 per full-time, permanent job created by the business within two years of execution of the lease; and
- Must be the least amount necessary to cause the project to occur.

Credits authorized under this program are limited to \$6,000,000 per fiscal year.

APPLICATION/APPROVAL PROCEDURE

- Applications will be accepted by DED at any time of the year and will be approved on an individual, case-by-case basis, based on compliance with all program criteria, the need for this program to make a project feasible, a positive economic impact on the state and the availability of tax credits.
- The company cannot make a public announcement of the project prior to DED's contingent approval of an application.
- The not-for-profit (NFP) submits application documents to DED. If DED approves the request, a letter will be sent to the sponsor and company.

A DTC Agreement is executed between DED, the company and the not-for-profit. A lease agreement is executed between the company and the NFP. After the contribution is made, DED will issue tax credit certificates to the contributor.

REPORTING REQUIREMENTS

For three years following the year of the first issuance of tax credits, a Tax Credit Accountability Act Reporting form is sent out by the DED. It must be filled out and received back by June 30 to avoid penalties.

SPECIAL PROGRAM REQUIREMENTS

- The NFP must retain ownership of all properties acquired by the contribution for a minimum of five years. DED may allow a longer lease period depending on the needs of the project.
- The eventual disposition of properties acquired by the contribution will be no less than 75% of the fair market value of the facility, excluding the value of leasehold improvements.
- The amount of the lease payments will be determined by DED based on the following:
 - costs of the non-profit to operate and maintain the subject assets (if any); and
 - the amount of tax credits issued. In most cases, the NFP will provide DED the lease payments received in an amount to repay the tax credits plus interest.
- Only not-for-profit organizations authorized to operate in Missouri and headquartered in the geographic area of the proposed project are eligible recipients of DTC approved contributions. The business that will lease property from the NFP cannot have significant representation on the NFP's board.
- Ineligible NFP's include: churches and their denominational headquarters, units of government and any affiliated organization under their direct supervision, partisan organizations and public or tuition-based private schools.

CONTACT

Missouri Department of Economic Development

Division of Business and Community Services

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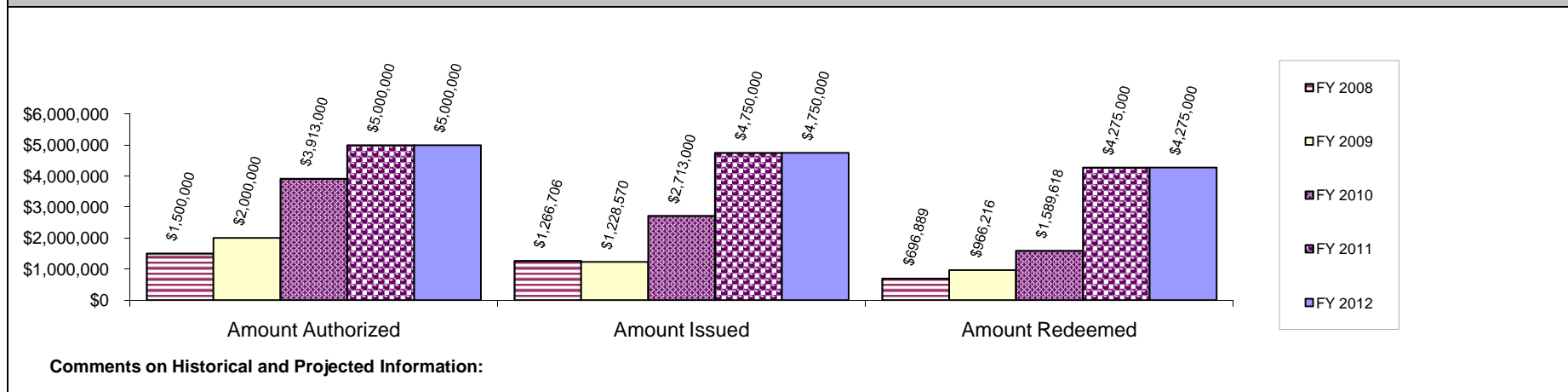
TAX CREDIT ANALYSIS

| | | |
|---|---|--|
| Program Name: Development Tax Credit (DTC) | | |
| Department: Economic Development | Contact Name & No.: Brenda Horstman 751-3713 | Date: October 2010 |
| Program Category: Business Recruitment | | Type: Tax Credit <input checked="" type="checkbox"/> Other (specify) _____ |
| Statutory Authority: 32.100 to 32.125, RSMo | | Applicable Taxes: Income tax, Corporate franchise tax, Bank tax, Insurance premium tax, Other financial Institutions tax, Express company tax |
| Program Description and Eligibility Requirements: Donations must be made to a non-profit corporation; specified number of jobs must be created within 2 years and maintained for 5 years; application must have the local agency's endorsement; project must be located in a distressed or blighted area; and, the benefiting business must be a for-profit business. | | |
| Explanation of How Award is Computed: Entitlement _____ Discretionary <input checked="" type="checkbox"/> The tax credit is equal to 50% of a contribution made to a non-profit corporation. The non-profit uses the contributed funds to purchase assets that would be leased to an approved business. | | |
| Program Cap: Cumulative \$ _____ (remainder of cumulative cap) \$ _____ Annual \$ 6 million _____ None _____ | | |
| Explanation of cap: Credits may not exceed \$4 million for any one fiscal year, except that for fiscal years 2005, 2006 and 2007 credits shall not exceed \$6 million per fiscal year. SB 1155 (2004). Effective August 28, 2008, the cap is \$6 million. | | |

| | | |
|---|------------------------|---|
| Explanation of Expiration of Authority: | | |
| Specific Provisions: (if applicable) | | |
| Carry forward <input type="checkbox"/> 5 years | Carry Back _____ years | Refundable _____ |
| Sellable/Assignable <input checked="" type="checkbox"/> | | Additional Federal Deductions Available _____ |
| Comments on Specific Provisions: | | |

| | FY 2008 ACTUAL | FY 2009 ACTUAL | FY 2010 ACTUAL | FY 2011 (current year) | FY 2012 (budget year) |
|-------------------------------------|-------------------|-------------------|-------------------|---------------------------|--------------------------|
| Certificates Issued (#) | 6 | 6 | 4 | 6 | 6 |
| Projects (#) | 4 | 1 | 6 | 4 | 4 |
| Amount Authorized | \$1,500,000 | \$2,000,000 | \$3,913,000 | \$5,000,000 | \$5,000,000 |
| Amount Issued | \$1,266,706 | \$1,228,570 | \$2,713,000 | \$4,750,000 | \$4,750,000 |
| Amount Redeemed | \$696,889 | \$966,216 | \$1,589,618 | \$4,275,000 | \$4,275,000 |
| EST. Amount Outstanding | N/A | N/A | \$2,687,705 | N/A | N/A |
| EST. Amount Authorized but Unissued | N/A | N/A | \$3,500,000 | N/A | N/A |

HISTORICAL AND PROJECTED INFORMATION



TAX CREDIT ANALYSIS

Program Name: Development Tax Credit (DTC)

BENEFIT: COST ANALYSIS (includes only state revenue impacts)

| | FY 2010 ACTUAL | Other Fiscal Period (10 years) |
|--------------------------|-------------------|-----------------------------------|
| BENEFITS | | |
| Direct Fiscal Benefits | \$123,592 | \$408,551 |
| Indirect Fiscal Benefits | \$98,940 | \$327,060 |
| Total | \$222,532 | \$735,611 |
| COSTS | | |
| Direct Fiscal Costs | \$782,600 | \$3,712,837 |
| Indirect Fiscal Costs | \$0 | \$0 |
| Total | \$782,600 | \$3,712,837 |
| BENEFIT: COST | 0.28 | 0.20 |

Derivation of Benefits:

Investment: (a) \$7,826,000 in Equipment spending in 2010.

Employment: (a) 11 new jobs (0 displaced) in Electrical Manufacturing at average wages in 2010-2019, (b) 4,629 jobs retained in primary metal manufacturing, securities/investments, and professional/technical services.

Other Assumptions: (a) n/a

Incentives/Credits: (a) \$3,913,000 in DTC credits, redeemed between 2010-2014.

Impacts occur in the Statewide Region. Assumptions provided by DED. Estimated using REMI-PI+Statewide Model (remi-fiscal-PI+aug10).

Other Benefits:

In FY-2010, every dollar of authorized program tax credits returns

| | |
|---|----------------|
| \$3.22 in new personal income totaling | \$2.52 million |
| \$6.42 in new value-added/GSP totaling | \$5.03 million |
| \$11.10 in new economic output totaling | \$8.68 million |

Over 10 YEARS, every dollar of authorized program tax credits returns

| | |
|---|-----------------|
| \$4.62 in new personal income totaling | \$17.16 million |
| \$8.59 in new value-added/GSP totaling | \$31.87 million |
| \$15.24 in new economic output totaling | \$56.59 million |

PERFORMANCE MEASURE(S)

Permanent New Jobs Created

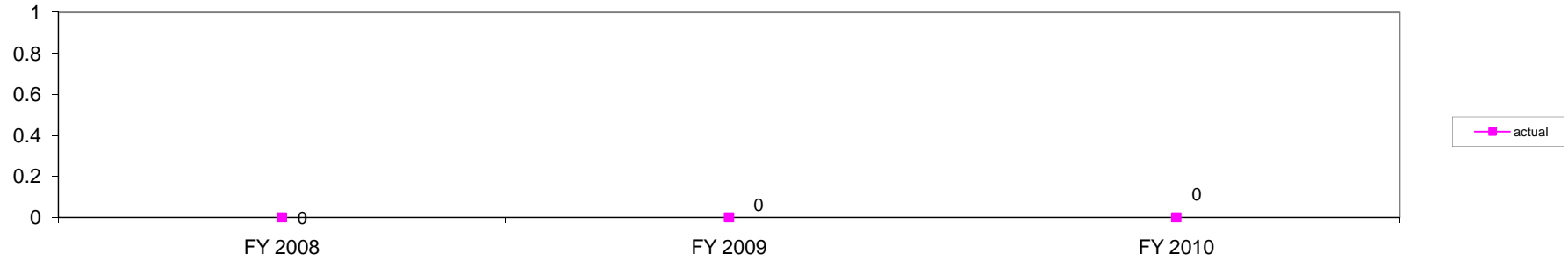


Comments on Performance Measure: During FY10 there were four companies within their 2-year job creation period and one in the 5 year maintenance timeframes and required to report. Of the 5 that reported during FY10, there was an increase of 918 jobs.

TAX CREDIT ANALYSIS

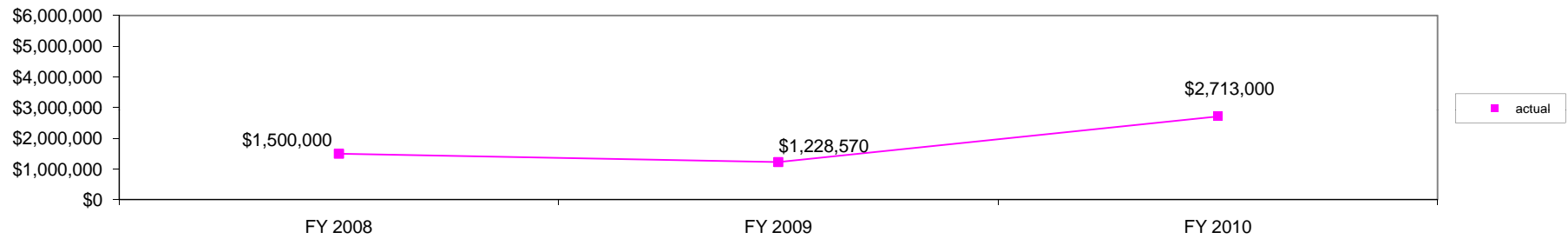
Program Name: Development Tax Credit (DTC)

Permanent Jobs Retained



Comments on Performance Measure: There were no projects within their 5-year retention period required to report during FY10.

Leveraged Investment



Comments on Performance Measure: